

SWIDLER BERLIN LLP

RECEIVED

2005 MAR 31 AM 10 03

T.R.A. DOCKET ROOM

The Washington Harbour
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Phone 202 424 7500
Fax 202 424 7647
www.swidlaw.com

March 28, 2005

VIA OVERNIGHT DELIVERY

Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

DOCKET NO.

05-00093

PAID T.R.A.

Chk # 156195

Amount 25.00

Rcvd By JR

Date 3-29-05

Re: Petition Regarding the Indirect Transfer of Control of ATX Licensing, Inc. to Leucadia National Corporation

Dear Ms. Dillon:

ATX Licensing, Inc. ("ATX"), by its undersigned counsel, hereby informs the Authority of the proposed indirect transfer of control of ATX from ATX Communications, Inc. ("ATX Parent") to Leucadia National Corporation ("Leucadia," together with ATX and ATX Parent, the "Parties"). ATX is an authorized provider of intrastate interexchange telecommunications services in the State of Tennessee. ATX Parent is a holding company which, through one or more subsidiaries, is the owner of 100% of ATX's equity. Leucadia is the holder of ATX's senior secured debt, which is secured by all or substantially all of the assets of ATX and its affiliates.

ATX, together with ATX Parent and all of ATX Parent's other direct and indirect subsidiaries (collectively, the "Debtors"), is currently operating its business as a debtor and debtor-in-possession under the protections of Chapter 11 of Title 11 of the U.S. Bankruptcy Code. The Debtors and Leucadia are presently working to secure all necessary regulatory and Bankruptcy Court approvals so that the Debtors will be in a position to emerge from Chapter 11 by early April 2005. The transfer of control is an essential component of the Debtors' larger corporate plan to emerge from Chapter 11.¹ Additional information regarding these transactions is set forth below.

Based on a review of Tennessee law and informal discussions with staff, it is the understanding of the Parties that approval of the Authority in Tennessee may be required to complete the transaction described herein. Accordingly, to the extent approval is required, the Parties respectfully request

¹ Consummation of the transfer of control and the transactions described herein is contingent upon the Debtors' plan of reorganization becoming effective, which requires the satisfaction or waiver of certain conditions precedent, including confirmation of the plan by the Bankruptcy Court

expeditious treatment of this filing to facilitate ATX's emergence from Chapter 11 in mid-April. An original and thirteen (13) copies of this filing are enclosed. Please date stamp and return the extra copy of this letter in the enclosed self-addressed, postage paid envelope. Also enclosed is a \$25.00 check made payable to the Authority to cover the filing fee.

The Parties further state as follows:

I. Background Information

On January 15, 2004, ATX Parent and its subsidiaries, including ATX, filed voluntary petitions for relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code.² Since that time, the Debtors have been and are continuing to operate their businesses and manage their affairs as debtors-in-possession under the provisions of the Bankruptcy Code, and the reorganization process has not, thus far, had any material effect on the customers, employees or operations of ATX.

On March 1, 2005, the Debtors filed with the Bankruptcy Court a Second Amended Joint Plan of Reorganization (the "Plan"), the overall purpose of which is to provide for the restructuring of the Debtors' liabilities in a manner designed to maximize recoveries to all parties with an economic interest in the Debtors and to enhance the financial viability of the Debtors, as reorganized. For the purposes relevant to this filing, the Plan contemplates that the existing equity in the Debtors will be cancelled and that at least 95% of the equity in the reorganized Debtors will be issued to Leucadia, in satisfaction of Leucadia's pre-petition claims.³ In addition, through the proposed Plan, the Debtors, including ATX, may engage in other transactions in furtherance of the Plan.

The proposed transactions are expected to provide ATX with access to the capital required to ensure that its telecommunications customers will continue to receive high-quality services on an uninterrupted basis. The proposed transactions will allow ATX to emerge from Chapter 11, thereby allowing it to resume its earlier growth as a competitor in the Tennessee marketplace. The proposed transactions therefore will serve the public interest.

II. The Parties

A. ATX Licensing, Inc. and ATX Communications, Inc.

ATX Licensing, Inc. ("ATX"), a Delaware corporation, is an indirect, wholly-owned subsidiary of ATX Communications, Inc. ("ATX Parent"). ATX Parent is a holding company with principal

² The petitions were filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), and are being jointly administered. See *In re CoreComm New York, Inc.*, Chapter 11 Case No. 04-10214 (PCB). The only subsidiary that did not file its petition on January 15, 2004 was CoreComm Maryland, Inc. which filed for Chapter 11 protection in the Bankruptcy Court on March 10, 2004.

³ More specifically, the Plan contemplates that upon emergence from Chapter 11 following approval of the Bankruptcy Court (a) Leucadia will indirectly hold substantially all of the common stock of the reorganized Debtors (which interest is subject to the grant of up to 15% of the new common stock to members of senior management pursuant to a new management restricted stock plan), and (b) approximately 5% of the new common stock will be indirectly held by a closely held private investment company.

offices located in King of Prussia, Pennsylvania. The operating subsidiaries of ATX Parent, including ATX, are facilities-based integrated communications providers, offering voice, data, wireless, Internet, and e-business services to business and residential customers in targeted markets throughout the Mid-Atlantic and Midwest regions of the United States, as well as long distance voice service throughout the United States. ATX Parent's operating subsidiaries currently serve more than 300,000 business and residential customers.

In Tennessee, ATX is authorized to provide intrastate interexchange services pursuant to certification granted by Authority Order in Docket 00-00089 on March 14, 2000. Information concerning the legal qualifications of ATX to transact business in the State of Tennessee will not change as a result of the transactions described herein.

B. Leucadia National Corporation

Leucadia National Corporation, a publicly-traded New York corporation, is a diversified financial services holding company engaged through its consolidated subsidiaries in a variety of businesses, including telecommunications, banking and lending, manufacturing, real estate activities, winery operations, development of a copper mine, and property and casualty insurance and reinsurance. Under its current Chairman and President, Leucadia's shareholders' equity has grown from a deficit of \$7.7 million as of December 31, 1978 to a positive shareholders' equity of over four billion dollars as of December 31, 2004.

Prior to the summer of 2002, Leucadia was not engaged in the telecommunications business. In October of 2002, Leucadia made its first significant investment in the telecommunications sector, investing more than \$300 million in WilTel Communications Group, Inc. and its affiliated subsidiaries ("WilTel") as part of a plan of reorganization approved by the United States Bankruptcy Court for the Southern District of New York. Leucadia subsequently acquired 100% of WilTel's common stock, and ensured that WilTel was able to continue to provide competitive telecommunications services throughout the United States. WilTel currently operates and manages a technologically advanced, fully operational, next-generation fiber-optic broadband network that spans over 30,000 route-miles connecting 125 cities in the United States and extends to Asia, Europe, Mexico and the Pacific Rim. As its successful acquisition out of bankruptcy and subsequent operation of WilTel demonstrate, Leucadia and its officers have the experience and assets to acquire control of ATX and operate it in the public interest.

III. The Indirect Transfer Of Control of ATX and Related Transactions

ATX submits this filing in connection with a series of transactions whereby the Debtors, including ATX, will emerge from Chapter 11.⁴ The financial reorganization of the Debtors and the consummation of the Plan will include, among other things, the creation of ten classes of holders of claims against the

⁴ With the announcement of having filed its Joint Plan of Reorganization and related disclosure statement, ATX Parent is close to completing an effort that began in 2001 to improve its operations and recapitalize the company. Upon completing this effort, ATX Parent will have eliminated in excess of \$787 million in debt and preferred stock and \$270 million in other liabilities, while creating an enterprise which is EBITDA positive.

Debtors and equity interests in ATX Parent. For purposes relevant to this filing, the Plan contemplates that the existing equity in ATX Parent will be cancelled and that substantially all of the equity in the reorganized ATX Parent will be issued to Leucadia, in satisfaction of Leucadia's pre-petition claims arising under the Debtors' senior secured credit facility held by Leucadia.⁵ Upon emergence from Chapter 11 following approval of the Bankruptcy Court, the Plan contemplates that Leucadia will hold at least 95% of the equity⁶ (subject to the new management restricted stock plan) and 100% of any post-petition debt of the reorganized parent, which will effectuate a change of indirect control of the equity and board structure of ATX.⁷ Attached hereto as Exhibit A is an illustrative chart depicting the corporate ownership structure of ATX Parent and ATX prior to and immediately following the Effective Date of the Plan.

The transfer of control will not involve a change in the name under which ATX currently operates. ATX does not contemplate any change immediately following consummation of the proposed transactions in the manner in which it currently offers service in the State of Tennessee. Immediately following the Effective Date, ATX will continue to offer the services it currently offers in Tennessee with no change in the rates or terms and conditions of service (other than those arising in the ordinary course of business pursuant to state tariffing requirements). ATX, moreover, will continue to be led by the same team of experienced telecommunications managers. The indirect transfer of control to Leucadia of ATX therefore will be seamless and transparent to Tennessee consumers in terms of the services they receive.

IV. Public Interest Considerations

The transfer of control of ATX will serve the public interest in promoting competition among telecommunications carriers. Specifically, the indirect transfer of control of ATX that will result from implementation of the Plan will provide ATX with the opportunity to strengthen its competitive position through an improved capital structure and substantially enhanced liquidity. The improved financial position of ATX Parent, in turn, will enable it to implement its business plans and to significantly enhance the operational flexibility and efficiency, as well as the long-term financial viability of ATX. These enhancements will inure directly to the benefit of Tennessee consumers. The proposed transactions will therefore ensure the provision of innovative, high quality telecommunications services to the public and should promote competition in the Tennessee telecommunications service market.

* * * *

⁵ See n 3, *supra*

⁶ More specifically (a) Leucadia will indirectly hold substantially all of the common stock of the reorganized Debtors (which interest is subject to the grant of up to 15% of the new common stock to members of senior management pursuant to a new management restricted stock plan), and (b) approximately 5% of the new common stock will be indirectly held by a closely held private investment company

⁷ Although it is expected that the Plan will undergo changes as supplemented prior to the Effective Date, this component of the Plan is not anticipated to change

Sharla Dillon, Dockets and Records Manager

March 28, 2005

Page 5

Please contact the undersigned should you have any questions regarding this filing.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jeanne W. Stockman".

Eric J. Branfman

Grace R. Chiu

Jeanne W. Stockman

Special Counsel to

ATX LICENSING, INC.

cc via email:

Mark D. Schneider (Sidley)

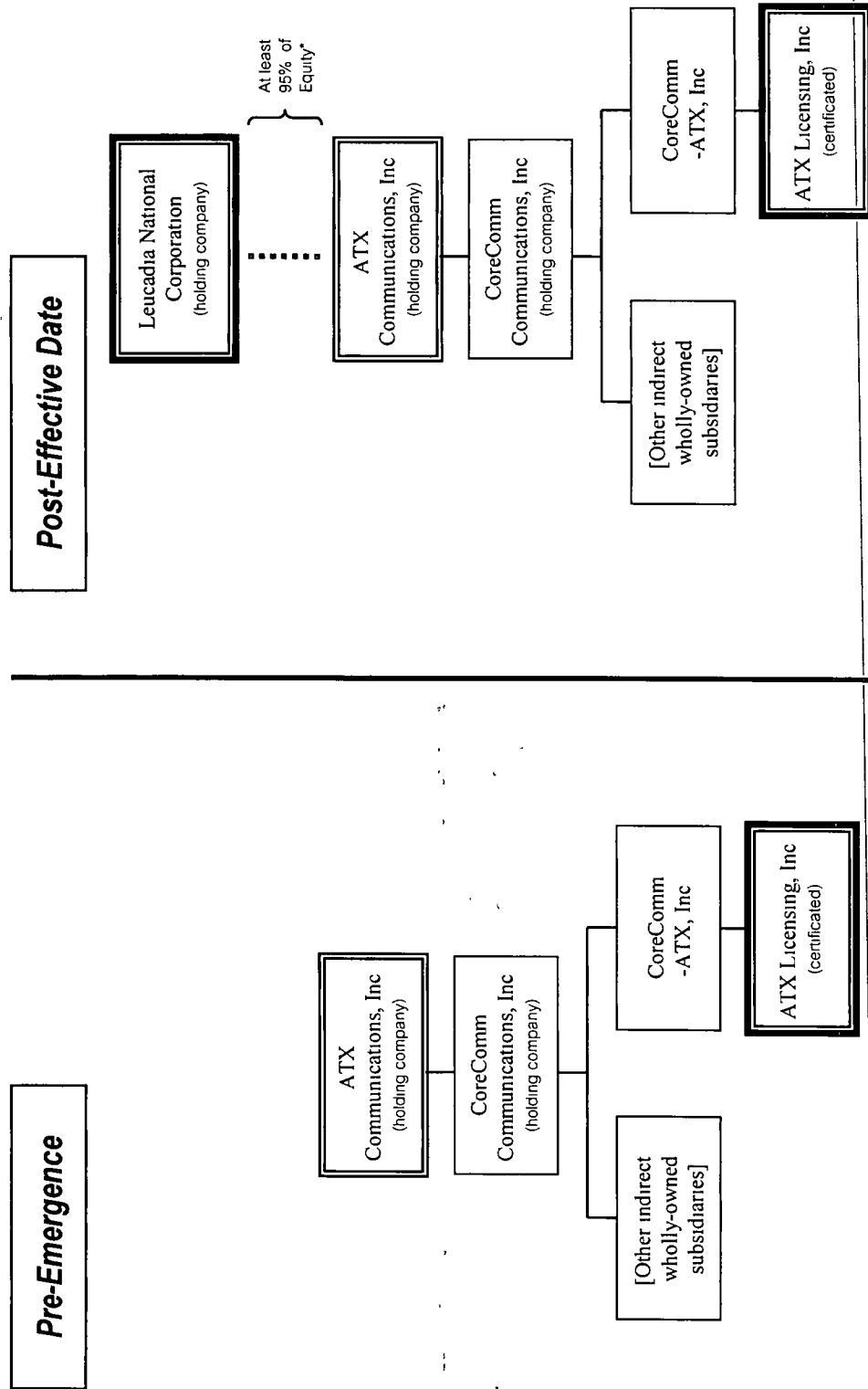
Bruce Bennett (ATX)

EXHIBIT A

**ILLUSTRATIVE CHART OF CORPORATE STRUCTURE OF ATX
PRIOR TO AND IMMEDIATELY FOLLOWING EMERGENCE OF CHAPTER 11**

EXHIBIT A

Illustrative Chart of Proposed Indirect Transfer of Control of ATX Licensing, Inc. to Leucadia National Corporation



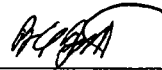
*Subject to the grant of up to 15% of new common stock to members of senior management pursuant to the new management restricted stock plan

VERIFICATION

I, Bruce Bennett, declare that I am Vice President of External Affairs of ATX Licensing, Inc., that I am authorized to make this Verification on behalf of ATX Licensing, Inc ; that the foregoing filing was prepared under my direction and supervision, and that the statements in the foregoing document with respect to ATX Licensing, Inc. are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct

Executed on February 8th, 2005, at Chicago, Illinois



Bruce Bennett